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A GUIDE FOR SECRETARIES OF SERVICE COOPERATIVES

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(DEPARTMENT OF COOPERATION)
GOVERNMENT OF INDIA
NEW DELHI
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Introductory

India is primarily an agricultural country and increased agricultural production is one of our basic objectives. The chief object of introducing cooperation in India was, therefore, to improve the economic condition of the farmers. The first legislation on cooperation was enacted in 1904 for registration and administration of cooperative credit societies. Since then, the movement in India continued to be credit-oriented and, even, now, two-third of the total number of societies are primary agricultural credit societies. For long, the primary societies continued to function merely as credit institutions. It was subsequently realised that the primary societies, which are the basic institutions of the cultivators at the village level, should try to solve the whole range of the farmers' economic problems and must undertake functions other than credit such as the provision of the requisites for agriculture, namely, fertilisers, seeds, implements, etc., supply of standard common articles and also help the cultivators to arrange for the marketing of their produce to ensure a batter return for the same. Thus the importance of the village cooperative as the basic institution for rendering all the services required by the cultivators was recognised and it was decided to reorganise the primary societies as service cooperatives.

Area of operation

2·1. A service cooperative should be organised on the basis of the village community as the primary unit in order that the essential characteristics of cooperation, namely, voluntary basis, close contact, social cohesion and mutual obligation are best ensured. At the same time it is important to see that the society is an economically viable unit. It has to provide adequate credit to an ever widening range of producers including marginal and sub-marginal cultivators and tenants, supply essential requisites of production such as seeds, fertilisers, implements and also help in the marketing of produce. It will also have to attract deposits and to ensure that, by and large, the loans are being utilised for the productive purposes for which they are intended, and that they are promptly recovered. In order to do this, the society must have the ability not only to command the services of the competent personnel, but after the first three or four years be able to meet fully the expenditure incurred on such personnel. Further, the society may have to pay rent for its office buildings and to meet the cost of stationery etc. It will also have to pay supervision and audit fees and earn profits to provide for suitable reserves. An economically viable unit is one, which may be expected within a reasonable time to render the more important of the services adequately to as large a number of producers as possible, without depending upon financial assistance from government, except for a limited period. In order to ensure viability, it may be necessary, therefore, to increase the number of villages to be covered by a society in areas where villages are too small. Such extension should, however, be subject to a maximum limit of a population of 3,000 so that the society may cover a compact area consisting of about 500 cultivating families or about 600 rural families and a distance of not more than 3 or 4 miles from the headquarters village. Such

extension can be achieved either by amalgamation with a neighbouring society or by the extension of the area of operation of the society to cover neighbouring villages, if such villages are not covered by any other primary credit society. The secretary of the society has to study the prospects of the society becoming a viable unit in the course of three or four years and in consultation with the managing committee and the Assistant Registrar of Cooperative Societies of the district concerned take suitable action to ensure the economic viability of the society.

2·2. In the initial stages the society may not be a viable unit. All the same it will have to maintain a paid secretary to expand its activities. In suitable cases government may provide managerial subsidy of Rs. 900 to be disbursed over a period of 3 to 5 years, the intention being that within this period the society will be able to stand on its own as an economic and viable unit. The disbursement of the subsidy in the second and subsequent years will be dependant on the progress achieved by the society in its business every year. The secretaries of such societies will, therefore, have to pay special attention in improving the business of the societies.

Membership

3·1. A Service Society can be fully representative of the village only when every cultivating family joins it. It is, however, not enough that only such families as want credit join the society. In every village there may be a number of people, who are relatively better off or at any rate do not require credit on a large scale. Many of them, in fact, may have surplus funds for investment. They also often provide the leadership in the village and as such every effort must be made to attract them into the fold of the cooperative. Some others may not require credit, but may need other services such as fertilizers, seeds, agricultural implements, pesticides etc., or other domestic consumption needs such as kerosene, salt etc. Such persons should also be induced to join the society so as to avail of such facilities.

3·2. In the past, in many states, the membership of village societies was generally restricted to land owners. The result was that tenants and agricultural labourers, without permanent rights on land, were either not admitted as members or even if admitted were not normally provided adequate credit for agricultural production. If the service society is to benefit all the cultivators in the village and help increased agricultural production, tenants and marginal cultivators should also be brought in the society and necessary credit provided to them. The bylaws of the society should, therefore, provide for open membership, thereby enabling every cultivator in the village to join the society. In order to ensure that the membership is refused only on valid grounds, the bylaws should provide for a right of appeal against non-admission. This will help any cultivator to prefer an appeal in case his admission is refused by the Managing Committee of the Society. According to the practice in the state, the appeal shall be either with the cooperative department or with a federal cooperative institution.

3·3. It is true that loans to tenants and sub-marginal cultivators involve a greater element of risk. To meet this contingency, government is providing outright grants to a service society, which is not in 'D' or 'E' audit class, for creating a special bad debt reserve. The outright grant is three per cent of the

additional lendings of the society every year except those in areas, where package programme is being implemented. For package areas it is four per cent. It is to be credited to a special bad debt reserve which shall be separately invested in the financing bank. It can be drawn upon only with the previous permission of the Registrar of Cooperative Societies. This grant is primarily by way of encouraging the society to provide adequate credit to the weaker sections of the community as indicated above. The continuance of this grant is, therefore, contingent on this essential condition being fulfilled. In order to make the society eligible for this grant it will, therefore, have to admit weaker sections of the community and provide them adequate credit for increased agricultural production.

3·4. The secretary of the society in consultation with the managing committee should work out a definite programme for increasing membership, share capital, business etc. to be achieved every year and whenever possible, place the same before the general body for approval. Every effort should be made to achieve the targets fixed for each year and if possible to surpass them. Special attention should also be paid to bring in more and more of the weaker sections of the community and to provide them as much help as possible. It should be the endeavour of the secretary of the society to see that all cultivating families in the area of operation of the society are brought within its fold in the course of three or four years and this will mainly depend upon the prompt and efficient service rendered by the society.

Capital

4·1. Capital is raised by a service society by issue of shares. Unless the society raises sufficient capital of its own, it may not be able to borrow adequately from the central cooperative bank and meet the entire demand of its cultivating members; neither will it be able to undertake any supply and marketing functions. Since the small cultivators and tenants are to join the society the value of each share should be of a reasonable minimum, say Rs. 5 or at the most Rs. 10. In the case of sub-marginal cultivators and tenants, who need credit of less than say Rs. 200 for seasonal agricultural operations, provision should be made in the bylaws for payment of shares in suitable instalments at harvest periods. Loans should meantime be given to such persons on the basis of their subscribed shares capital.

4·2. To increase the paid up capital it is necessary to fix up a link between the borrowings and shareholding of each member. The borrowings of an individual may not exceed eight to ten times his paid-up capital in the society. Bylaws of the society should contain specific provisions to secure this linking. Members may also be induced to invest more and more as share capital every year, depending upon their capacity. The society should also invest in the shares of the Central Cooperative Bank so that it can borrow to the extent necessary. While making such investment, care should be taken to see that sufficient funds are kept apart for the day to day business of the society and that the investment is directly related to the amount it wants to borrow from the Central Cooperative Bank. If the society is to undertake supply and other service functions it must have some fluid funds of its own. To meet this and the general policy followed is that the society need invest upto one-twentieth of its borrowings from the central bank as share capital in that bank.

4·3. In selected service societies which need additional capital and the working of which is otherwise satisfactory, the government will contribute share capital and become a partner. Such government investment adds to the credit of the society as a sound business organisation and also increases its borrowing power. Government contribution generally does not exceed Rs. 5,000, but in special cases such as backward areas or in the case of large villages it may be increased upto Rs. 10,000. But such contribution is also on a matching basis; that is, dependant on the amount of share capital raised by the members e.g., where the contribution of the people is only Rs. 2,000, the government share contribution will not exceed Rs. 2,000. Two-third members of the society should also agree to such participation by government before the amount is disbursed to the society and the central cooperative bank should concur with the proposal. The State contribution will be continued from the initial stage for a period of 5 to 8 years during which the society may be expected to reach the optimum level of share capital required. The State will not contribute to the share capital after this. After the optimum level is reached, the process of retirement of government capital should start and might be completed during the next five to eight years. The Secretary of the society should, therefore, study the working of the society in detail and approach the Assistant Registrar for government participation if there is a genuine need for this.

Liability

5·1. Most of the primary societies in India were organised in the initial stages on the basis of unlimited liability, primarily for supplying credit to small farmers and persons of limited means. This principle was considered important and useful in that it enabled the society to raise more funds from financing agencies as all the assets of all its members formed the ultimate security for the loans given to the society. Thus theoretically poorer members could obtain credit on the security based on the property of richer members. Mutual knowledge among members and help to the relatively weaker members thus assumed a legal shape in the form of unlimited liability. Since the liability is enforceable only in the event of liquidation, it is only contingent in character. In practice, however, it was found that unlimited liability had certain disadvantages. The richer classes generally kept out of such unlimited liability societies for fear that their properties might be attached for discharging the debts of the societies. In certain cases, the relatively well-off people in the village formed a society of their own and did not admit the poorer sections on the ground that the well-off people would have to assume responsibility in case of failure. Further it was difficult for unlimited liability societies to widen their sphere of activities and undertake functions other than credit, because members would not be generally willing to assume unlimited liability in regard to trading and marketing activities.

5·2. The trend is now in favour of limited liability societies in which the liability of each member is limited to the share capital subscribed or paid up by him or a suitable multiple of such capital. Such a procedure encourages people of all categories—rich or poor—to join such a society without apprehension of any great loss or hardship arising from the enforcement of unlimited liability. It also facilitates the undertaking of certain activities allied to the supply of credit such as distribution of agricultural requisites or consumer goods or the collection of produce for marketing. In view of all these it may

generally be advisable to organise the service cooperative on limited liability basis, liability being limited to the paid up or subscribed capital. But it is difficult to follow a rigid pattern in this regard and the members should have freedom to adopt either limited or unlimited liability according to their choice. The secretary should clearly explain to the members the advantages and disadvantages of each type of liability and leave it to the members to adopt the type of liability which suits them better.

5·3. In the case of State participation, however, the liability of the government or the central cooperative bank through which government participation is effected will be limited to the paid up capital. If state participation is necessary, the first step will be to get the bylaws of the society amended to provide for this in case the society is not working on this basis.

Management

6. The day to day management of a service cooperative is entrusted to a committee consisting of a specified number of members elected by the general body for the purposes. In cases where state participation is effected either directly or through the central cooperative bank, provision should be made in the bylaws for nomination of not more than 3 directors (panchayatdars) by the government or the central cooperative bank as the case may be. It will be useful for the cooperative to have such persons on the committee as their advice will be valuable for the functioning of the society on efficient lines. These persons will have a right to vote in the meetings of the committee but will not have any veto power. This committee is sometimes known as the panchayat or the managing committee. It is constituted mainly because the general body cannot meet often and watch the progress of the society. Small subcommittees of the managing committee consisting of one or more members may be appointed in charge of special items of work such as credit, marketing, distribution and supplies etc. depending upon their experience and outlook. The managing committee should meet as often as necessary, ensure that the account books are kept properly and up-to-date, audit is conducted in time and the defects pointed out in the audit notes are rectified. The committee should also ensure that the general body meets atleast once in a year, if not twice.

Functions

7·1. The primary functions of the service cooperative will be the provision of short and medium-term credit, supply of agricultural and other production requirements and arrange for the marketing of agricultural produce of its members. In addition, it will also help the members to procure certain essential domestic consumption requirement such as salt, cloth kerosene etc. besides helping the formulation and implementation of a plan of agricultural production for the village. For specific items such as for industrial workers, soil conservation, cooperative farming, irrigation etc. separate societies may be necessary for a group of villages and as such the service cooperative need not take up such work. The more important of the activities the service cooperative should take up are the following:—

(*a*) To associate itself with programmes of production;

(*b*) to lend adequately i.e. to lend adequate amounts to all producers, especially agricultural producers and in this process increasingly cater to the small producers;

(c) to borrow adequately for the above purpose;

(d) to attract local savings to the maximum possible extent not only as share capital, but also as deposits;

(e) to supervise the use of loans;

(f) to recover the loans and to see that they are repaid punctually;

(g) to distribute agricultural production requirements, such as, fertilisers, seeds, agricultural implements, pesticides, etc.;

(h) to supply certain consumer goods in common demand, such as kerosene, cloth, salt, sugar, etc.;

(i) to collect or purchase produce, where necessary, on behalf of the marketing society or other agencies so as to ensure a better return for the members;

(j) to store produce on behalf of the members; and

(k) generally to associate itself with programmes of welfare, economic and others, for the village.

The Secretary of the society should see that the bylaws of the society provide for all these activities. If they do not, he should take up the matter in consultation with the general body of the society, with the Assistant Registrar of the district concerned, so that necessary amendments are made in the bylaws.

Production Plan

7·2. The service society has to provide all the facilities to the members in order that they may increase their production. Except in areas, where the Intensive Agricultural District Programme is in operation, no detailed farm production plan is being drawn up for each cultivator. Each farmer, however has a plan of his own, whether he owns land or is a cultivating tenant. He knows how much land he is going to cultivate, what crops he proposes to raise, what resources he has and what facilities he would require for production by way of seeds, manure, water supply, transport, credit, etc. The Secretary of the service cooperative and the members of the managing committee of the society should estimate the requirements of its farmer members on the lines of their own production plans and make arrangements for the provision of necessary facilities including credit so that as a cumulative result of the various aids given, the farmers may be enabled to raise good crops on their lands. In judging the production needs, account should be taken of the nature of the crops grown, of the fertilisers, manures, better seed, etc. which the cultivator is going to use and also of the likely effect of these improved methods of cultivation on the borrowers' income and his repaying capacity. Ba ed on the experience in the 'package districts' and implementing certain special schemes, the cooperative departments in most states have prescribed certain broad standards for financing the cultivation of major crop grown in the state. The secretary of the service society may obtain such standards from the Assistant Registrar of the district concerned and work ou the e timates of the requiremen s of the members in terms of fertilisers, seeds cash, etc. and examine their applications for loans in the light of their requirements and repaying capacity. In areas where the package scheme for intensive agricultural produc ion is in operation, the secre ary of the service society should see that the production plan of each member as prepared with the help of agricultural technicians is financed to

the extent possible. He will have to consolidate the credit and other requirements of the members based on such plans and place them before the managing committee before the loan application is sent to the central cooperative bank.

In order to mobilise the local manpower and other resources in the village to increase agricultural production, a plan is being drawn up for each village. This is called the Village Agricultural Production Plan. For this purpose, an agricultural production committee has been constituted for each village. The service cooperative is to be associated in the preparation of such a plan. The secretary of the society should see that the managing committee members represent the society in the agricultural production committee for each village. If necessary, he may take up the matter with the Block Development Officer to see that this is done. The secretary of the society should brief the representatives about the financial position of the society, and the extent of membership etc. so that they may help the agricultural production committees to prepare a realistic plan for the village.

Short-term loans

7·3. A service society is expected to provide two kinds of loans, namely short-term and medium-term. The short-term loan is intended for seasonal agricultural operations. It is to be paid back generally within a period of twelve months. It is advanced to the cultivator just before the agricultural operations start and is to be paid back by the cultivator as soon as the produce is harvested and sold. This is to be given on the security of one or two sureties and mortgage security should not be insisted. The loan application should be obtained from the cultivator sufficiently in advance so that the society may be able to process the loan application and make available funds in sufficient time to the cultivator before agricultural operations start. If necessary the cultivator should also be requested to pay for the necessary shares so as to make him eligible for the loan he requires on the basis of his production plan. The secretary of the society or the panchayatdar should as far as possible see that the cultivator utilises the loan for the purposes for which he has taken the same. It is better to advance bulk of the loan in kind such as fertilizers and seeds so as to ensure better utilisation.

Medium-term loans

7·4. Medium-term loans are intended for purchase of bullocks or for small irrigation canals or for small improvements of land or small pumps ets, etc. Loans for purchase of milch animals are also treated as medium-term loans. The period of repayment of such loans will have to be spread over a period extending from 15 months to 5 years. Generally, however, the period varies from 2 to 3 years depending upon the purpose for which the loans are granted. In all such cases the secretary of the society should obtain the loan application from the cultivator sufficiently in advance so that the money may be made available to the cultivator in time for proper utilisation. The secretary or the panchayatdar should keep a watch to ensure that such loans are utilised for the purposes for which they are sanctioned. Medium-term loans upto Rs. 500 can be sanctioned on the security of two other members as sureties, but in cases of loans ranging from Rs. 501 to Rs. 1,000, the society has to see that a charge on the land is created by the cultivator in favour of it. Loans above Rs. 1,000 need be sanctioned only on the security of the mortgage on the land.

Utilisation of loans

7·5. When loans are advanced to members, it is the duty of the managing committee members and secretary of the society to see that the loans are utilised for the purposes for which they are granted. The secretary of the society should also take into consideration the period at which the loans are disbursed and the period at which they are collected back. If the cultivator is given a loan well in advance of the period at which he is to utilise the same, it is likely that he may use up the loan and find it difficult to utilise it for the purpose for which it was taken. In case it is advanced late, then also it may not serve much useful purpose. It has, therefore, to be ensured that the loans are given at the proper time so as to enable the farmer to utilise the same for his agricultural or other operations. Similarly, the period of repayment should be related to the period of harvest and the sale of the surplus agricultural produce. Otherwise it would be difficult for the cultivator to pay back the instalments at the specified time. In order to ensure all these, the secretary should see that the loan applications are obtained and processed at the appropriate time so that the society may be able to advance the loans to the cultivators in time after getting the necessary loan sanctioned by the central cooperative bank.

Adequacy of loans

7·6. There is still one more aspect to which the secretary of the society should pay special attention. When a cultivator applies for a loan, care should be taken to see that the area he cultivates, the nature of his crop, the number o members in his family, the extent of his previous liability either to the cooperative or to other sources, the amount of the surplus produce that he will be able to sell, etc. are taken into account in arriving at his repaying capacity. At the same time, it has to be ensured that subject to availability of funds, he is given adequate amount for his cultivation needs. If a cultivator is in need of say Rs. 200 for his cultivation expenses, based on his approved production plan, he should be provided the entire amount in cash and kind subject, of course, to his repaying capacity. Otherwise, he will have to depend on the moneylender to whom he will be indebted and may not be able to repay the loan taken by him from the society. Adequacy of cooperative credit is thus an important factor.

Thrift and Savings

7·7. Another factor which the secretary of the service society should pay special attention is in regard to mobilisation of rural savings. In addition to the increase in share capital, the members should be induced to invest in deposits. A farmer may need money for the education of his children or for the marriage of his daughters. If he can save something out of the sale proceeds of each harvest, it will help him considerably to meet such commitments. The society should introduce recurring, savings and fixed deposits in a suitable measure and help the members to save. Chit funds, cumulative and homesafe deposits, etc. can also be introduced in the society. If possible, a system of collection of compulsory deposits at the time of sales of the produce may be introduced in conjunction with the cooperative marketing society. The collection may be of the order of two or three per cent of the sale proceeds of the members. The amount so collected will also be of use to the society in meeting its day-to-day finances.

The system of pass books can be introduced for such deposits so that the members may be aware of their savings from day-to-day. In emergent cases loans can be sanctioned on the security of fixed deposits to enable members to tide over their unforeseen difficulties.

Marketing arrangements

7·8. When advancing loans to the members for agricultural production, the society should obtain an agreement from the member to sell his produce either through it or through the marketing society to which it is affiliated. It is not enough if an agreement is obtained and it is not followed through. The secretary and the managing committee members of the society should bestow special attention during harvest time to see that the member brings his produce for sale through the marketing society. The service society, when necessary, should collect the produce of all its members, arrange for its transport to the marketing society and help the members to obtain a fair price for their produce. When the member brings his produce, special care should be taken to provide him all facilities he requires so that he may follow the same procedure during the next harvest season also. If the society has a godown, the members may be permitted to store their surplus produce in the godown and when the member so requires, a loan against the pledge of such produce may be advanced to him. While doing so, the instalment of the production loan due from him should be deducted. The secretary of the society should constantly educate the members about the importance of the sale of their surplus produce through the marketing society, which will give him a better return than the middleman trader. He has to emphasise that the marketing society is an organisation of the cultivators and on its strength they will be able to withstand the vagaries of the market.

Linking of credit with marketing

7·9. In order to effectively link credit with marketing, so that the credit provided by the service cooperative is effectively recovered, the service cooperative will have to adopt the following procedures:—

(*a*) While advancing production credit to a member, an agreement to sell his produce or at least such part of it as would be sufficient to repay the loan through the marketing society may be obtained in addition to the bond executed by the member. This agreement should also authorise the marketing society to deduct the amount due by way of principal and interest from the sale proceeds.

(*b*) In consultation with the marketing society an agreement should be arrived at by which the marketing society will pay the amount deducted to the central cooperative bank in the account of the service cooperative or otherwise remitted direct to the service cooperative as is considered more feasible.

(*c*) The service cooperative should send a demand list of all the members to the marketing society indicating the amounts of principal and interest due from each member. This should be done before the harvesting of the crops in the area.

(*d*) It should also keep a watch over the progress of harvest and ensure that the members honour their agreement. Members may be permitted to take the produce direct to the marketing society or it may

arrange for the collection of the produce on behalf of the marketing society. In either case the produce should be accompanied by a marketing chalan prepared by the service cooperative in a suitable form. The chalan should be prepared in four copies, the office copy being retained in the service cooperative and the remaining three copies sent to the marketing society, along with the transport carrying the produce. After its sale or arrangement for storage the marketing society will return one copy of the chalan to the service cooperative with necessary entries regarding the sale and the recovery made from the sale proceeds or the pledge loan. Another copy of the same will be sent to the central cooperative bank with the funds for remittance.

(*e*) On receipt of the chalan from the marketing society indicating the deductions in case of each member, the service cooperative will issue a receipt to the members in respect of the loans and interest recovered from them.

As indicated earlier, the service cooperative should have a sub-committee in charge of the marketing work. Unless the service society keeps a vigil on the sale of produce through the marketing society, it is difficult to ensure linking credit with marketing. It must be understood that the success of this system will pave the way for building up a sound cooperative credit structure based on orderly marketing.

Distribution of fertilisers

7·10. In most states, fertilisers are increasingly being distributed through cooperatives. The apex cooperative marketing society distributes the same through the district and/or primary marketing societies who often act as wholesalers. At the retail level the service cooperative has to play a vital role. It should obtain the entire fertilisers estimated to be consumed in its area of operation from the marketing society. The fertilizers would be made available to the service society on consignment basis or on credit or against cash depending upon the general policy and practice in the state. For undertaking distribution a certain amount of commission is being received by the marketing society. The service society should get a due share of the distribution commission. While obtaining supplies of fertilizers the service society should take into account the quantity distributed in the preceding year, the stock available with the society and the estimates indicated in the village agricultural production plans referred to earlier, so that there may not be any large carry-over or unsold stock. Care should be taken in getting the fertilizers in the custody of the society sufficiently in advance, so that it may be distributed to the cultivators in time. Fertilizers should be distributed among the members as loans in kind on the basis of their production programmes. That is, the value of the fertilisers should be treated as a loan against each member on the basis of his loan application and debited in the accounts as such. Such loan should be within the credit limits of each member. In the case of non-members, for whom the fertilisers are to be distributed on the advice of the panchayat samiti or agricultural department, sales should be in cash.

Improved seeds

7·11. Improved seed is a must in increasing production. The service cooperative has, therefore, to devote considerable attention in increasing the consumption of improved seeds in its area of operation. Improved seeds are purchased from registered growers by the cooperative marketing society. Such purchase should ordinarily be made only after the agricultural department certifies the quality of the seed. Estimates of improved seed required for the village will be available from the village production plan or the village level worker. Based on these estimates and the trend of consumption in previous years the service cooperative should make a realistic estimate of the requirements of improved seed and obtain them from the marketing society. As in the case of fertilisers, distribution may be made to members and non-members. Care should be taken to arrive at a correct estimate of the requirements as otherwise unsold stocks of improved seeds will create problems of storage and quality.

Other production requirements

7·12. There are other production requisites such as improved agricultural implements, insecticides, pesticides etc. If the service cooperative is to be of real benefit to the farmers in the village it should find out the requirements of the members for these articles and arrange to store them in suitable quantities for sale to members. The sales can be either in cash or as loans in kind. While purchasing such articles care should be taken to see that only articles of local popular use or for which there is likely to be a demand, are purchased. Otherwise unsold stocks will create problems regarding sales and storage. It is the prudence of the secretary of the society or of the sub-committee constituted for the purpose that will have to play a vital role in assessing the estimates of such articles required for consumption in the area of operation of the service cooperative.

Consumer articles

7·13. It is important to ensure that while the farmer will be helped in regard to agricultural credit, supplies and marketing on cooperative basis, his essential consumer needs are also cooperatively met so that the income accrueing to him from his farming operations can bring him the best possible return in terms of his consumer requirements. Further, he can be assured of the quality and quantity of the articles purchased through his cooperative. Consumer activity through the service cooperative will also be helpful to the non-agricultural population in the village, thereby encouraging every family in the village to join the cooperative fold. In the present context of national emergency, consumer activity on cooperative lines in the rural areas is an integral part of the task of holding the price line. Hence service cooperative must organise a consumers section for distribution of essential domestic requirements of the cultivators, such as sugar, salt, kerosene oil, matches, tea, vanaspati ghee, coarse variety of cloth popular in the village and foodgrains in deficit areas. The more important of these articles should be taken up first and the business extended gradually to cover as many articles as possible. The society should make a realistic estimate of the requirements of such articles in its area of operation and purchase the same in cash and in bulk from the marketing society or the nearby cooperative store, as the case may be, and sell

the same to members and non-members in cash. No credit sales in this regard should be permitted. The society will have to make an initial investment of say Rs. 1,500 in this and go in for a quick turnover, instead of investing large amounts in the consumers section. In any case it is safe for the society to limit the working capital for the consumers section to twice its owned funds. Consistent with the need for keeping a reasonable margin for management and other expenses, say of about 5 per cent the service cooperative should adopt a pricing policy which will, generally, enable it to make such consumer articles available in the village at a price lower than the corresponding price charged by the village trader. In other words, as soon as practicable, the service cooperative should hold the price line at the village level. A small sub-committee consisting of one or more members of the managing committee, depending upon their outlook and experience may be constituted to look after this work. Separate accounts should be maintained for the purpose. In order to keep a cushion against price fluctuation, the society should also build up a price fluctuation fund from out of the profits every year.

Finance for supplies and distribution

7·14. The society should try to find part of the funds required for supply activity from the uninvested share capital, deposits and reserves. In selected service cooperatives, government is also providing share capital, which will provide the necessary resources for such purpose. The policy of keeping the ratio between the share holding and borrowing of the service cooperative vis-a-vis the central bank at 1 : 20 is recommended with the same intention. Besides the above, some central cooperative banks will be willing to provide suitable cash credit accommodation for anyone or more of the purposes indicated above subject to the maximum credit limit of the society. The service cooperative should, therefore, explore the possibility of obtaining such an accommodation, if there is need for the purpose. The Assistant Registrar of Cooperative Societies will be able to help the society in the matter.

Storage

7·15. If the service cooperative is to undertake the important functions indicated above, it should have necessary storage accommodation for stores fertilisers, seeds, agricultural implements and where necessary the agricultural produce of the members. If it undertakes consumer activities, the need for storage and a depot for sales of such articles are equally important. Government is providing financial assistance to selected service cooperatives to the extent of Rs. 12,500 for construction of a godown. Seventy-five per cent of this is given as loan and twenty-five per cent as subsidy. In case the service cooperative has sufficient volume of work, the secretary may approach the Assistant Registrar of cooperative societies of the district for getting such assistance. If big godown is not needed it is better for the society to get a small godown on rent. It has to be understood that if the loan is obtained from government, it will have to be repaid in suitable instalments and a service cooperative can do this only if it can command sufficient volume of business. In villages, the rent may not be heavy. A service cooperative, which has only moderate business, should go in only for a small rented house for the purpose. It is necessary for all the service cooperatives to set apart a portion of their profits every year for a building fund so that in course of time, they may

construct buildings of their own for locating their office and storage space. The secretary and managing committee members should pay special attention in this regard as the location of the office and storage space in a good building will add to the prestige of the society as a business institution.

Other Functions

7·16. After the society has become strong, it can undertake other functions for the common benefit of the members. It can help the members to adopt mixed farming and thereby increase their income. Loans for purchase of milch animals, small improved tools for development of cottage industry, improved varieties of poultry, piggery etc. can be provided by the society. It can also purchase and maintain improved implements, machinery, etc. to give them on hire to the members at nominal rent. It may help in marketing of milk through a milk union. In short, if the service society is built up as a strong organisation, it can render help to the villagers in all walks of life.

Institutions to which the society is to be affiliated

8. A service society has to be a member of the central cooperative bank for obtaining the necessary finance for its loaning operations. For effectively linking credit with marketing, and for establishing a link with the cultivators and the cooperative marketing society in the area, it is necessary for the service society to be a member of the cooperative marketing society. Further, it will have to obtain fertilisers, seeds, etc. and consumer articles through the cooperative marketing society. In certain states, the service society has also to become a member of the taluka or block level supervising union. The service society has, therefore, to become a member of three or four cooperative organisations at the higher level. But it is important that it should be a member of the central cooperative bank and the primary marketing society. The secretary of the society should see that such membership is ensured in the best interests of the society.

Registers and Forms to be maintained

9. A list of registers and forms to be maintained in a service cooperative is attached. These are illustrative. The actual forms to be used will depend upon the nature of transactions of the society, the Act and rules of the states, etc. These can be modified according to local conditions. It is important to ensure that the account-keeping is simplified as much as possible and only the essential forms and registers are maintained in a service cooperative depending upon its transactions.

Conclusion

10. The secretary of the service society is the nerve centre of the society. On his honesty, efficiency and vigilence depends the success of the society. He will have to brief the managing committee members and guide them in an efficient manner. He will have to guide his assistants also, if any. His hard work will improve the economic condition of the village. A cadre of such honest & efficient secretaries of service cooperatives can hasten the progress of economic reconstruction of the villages.

LIST OF REGISTERS AND FORMS TO BE MAINTAINED

A. Registers—

1. Minute Book.
2. Register of Members.
3. Cash Book or Day Book.
4. Loan Ledger.
5. Receipt Book.
6. Fixed Deposits Ledger.
7. Current or Savings Deposits Ledger.
8. Register of Overdue Loans.
9. Voucher file.
10. Register of Joint Purchases.
11. Register of Joint Sales.
12. Purchase, Issue and Stock Register.
13. Saleman's Indent Register.
14. Register of Issues to Salesman.
15. Sales Chit book.
16. Register of bonus.
17. Register of dividend.
18. Stock book of furniture, stationery, etc.
19. Stock Register.
20. D. C. B. Register.

B. Forms—

1. Application for admission.
2. Loan application.
3. Pass Book.
4. Surety bond.
5. Share certificate.
6. Receipt to the member for procurement of produce.
7. Chalan for despatch of produce to the marketing society.

A. Registers

1. *Minute Book*

This is intended to record the proceedings of the general meeting, and meetings of the Panchayat. All meetings should be numbered, the general meetings bearing one set of serial numbers and the panchayat meetings another. The numbers should be consecutive for the cooperative year commencing from 1st July of every year. In the case of a meeting, the names of the persons present should be entered and their signatures or thumb-impressions taken. The chairman of the meeting should then sign the entries in token of its correctness, specifying his designation and place and date of the meeting. All resolutions should be entered consecutively and numbered, and the minutes of the proceedings signed by the chairman of the meeting.

2. *Register of Members*

(1) Serial number.
(2) Date of admission.
(3) Number and date of Panchayat resolution.
(4) (*a*) Full name of member with father's name.
 (*b*) Address.
 (*c*) Occupation.
(5) Full name and address of the nominee.
(6) Signature or thumb-impression of the member.
(7) Signature of secretary.
(8) Date of cessation of membership.
(9) Reasons for cessation of membership.
(10) Number and date of resolution of panchayat.
(11) Date on which the entire share capital was refunded.
(12) Initials of secretary.
(13) Initials of the Auditor.
(14) Remarks.

Date	No. & date of panchayat Resolution for allotment /refund of additional shares	Amount (Rs.)			Voucher / Receipt number	Initials of Secretary
		Collected (*a*)	Refunded (*b*)	Balance (*c*)		
(15)	(16)		(17)		(18)	(19)

One page should be allotted for each member. In case the member is permitted to increase or decrease the number of shares entries may be made from col. (14).

3. *Cash Book/Day Book*

1. Year, month and date.
2. General number.
3. Name.
4. Particulars with No. and date of panchayat resolution, if any.
5. Receipt or voucher number.
6. Ledger folio.
7. Receipt.
   (*a*) Cash.
   (*b*) Adjustments.
8. Payments.
   (*a*) Cash.
   (*b*) Adjustments.
9. Remarks.

This book is to be maintained up-to-date. All receipts and disbursements should be entered in this and the balance struck at the close of each day. The secretary is responsible for the correctness of accounts and the treasurer/chairman for the cash balance.

4. *Loan Ledger*

1. Loan number.
2. Name of the borrower with membership number.
3. Acreage cultivated.
   (*i*) Paddy.
   (*ii*) Wheat.
   (*iii*) Potatoe.
   (*iv*) . . . .
4. Repaying capacity.
5. Amount of loan sanctioned.
6. Purpose for which the loan was granted.
7. Security taken.
8. Resolution of Panchayat sanctioning the loan.
9. Rate of interest.
10. Period of repayment.
11. Due dates and amount of instalment.
12. Date of closing the loan

13. Principal.

Date	Amount of loan disbursed	Amount due	Amount recovered	Amount overdue	Balance outstanding	Initials of Secretary
(1)	(2)	(3)	(4)	(5)	(6)	(7)

14. Interest.

Date	Amount due	Amount recovered	Amount overdue	Remarks	Initials of Secretary
(1)	(2)	(3)	(4)	(5)	(6)

Each loan disbursed should be entered in a separate page. Every loan should be numbered serially. If more than one loan is sanctioned to one member, each loan should be entered in separate pages. In the case of penal interest, the amount should be indicated in col. 2 and a mention made in remarks column.

5. *Receipt Book*

....................*Cooperative service society No*......................

Serial number of receipt .... Place ....

Date ....

Date	Particulars of receipt	Amount received
(1)	(2)	(3)

Sd/-

Manager/Secretary

Member of Panchayat

This book must be maintained in duplicate. The main receipt should be given to the party and carbon copies retained in the receipt book. Entries in the Cash Book will be made from the carbon copies every day.

6. *Fixed Deposits Ledger*

(1) Member number.

(2) Non-member.

(3) Name of depositor.

(4) Address.

(5) Fixed deposit receipt number.

(6) Period and the due date.

(7) Interest rate.

(8) Other conditions, if any.

Date	Day book number	Amount received	Interest		Repayments		Balance	
			Date upto which calculated	Amount	Principal	Interest	Principal	Interest
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)

(18) Loan on the security of fixed deposits:—

(*a*) Number and date of loan.

(*b*) Amount of loan.

(*c*) Rate of interest.

(*d*) Loan ledger folio.

(*e*) Amount recovered:

(*i*) Principal.

(*ii*) Interest.

(*f*) Balance.

(*i*) Principal.

(*ii*) Interest.

(19) Initials of secretary.

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7. *Current or Savings Deposits Ledger*

(1) Account number.

(2) Name of depositor { member. / non-member

(3) General number, if any.

(4) Address.

(5) Specimen signature.

(6) Cheque Book No. /Form No.........to No.........

Date	Particulars	Cheque/ Receipt number	Amount: Received	Amount: With-drawn	Amount: Balance	Initials of Secretary
(7)	(8)	(9)	(10)	(11)	(12)	(13)

A separate register must be maintained for current deposits as well as for savings deposits.

8. *Register of Overdue Loans*

1. Serial number.
2. Loan number.
3. Date of loan.
4. Amount of loan.
5. Loan ledger folio.
6. Amount overdue.
7. Date from which overdue.
8. Action taken to recover the overdues.
9. Remarks.

9. *Voucher File*

All payments should be supported by vouchers. The vouchers should be serially numbered and kept in a file called the voucher file. Signature or thumb-impression of the payee should be obtained in all such vouchers in token of having received the payment.

10. *Register of Joint Purchases.*

Name of the article...............

1. Serial No.
2. Name and No. of the member.
3. Quantity of articles indented.
4. Cost obtained as advance, if any.
5. Date of payment.
6. Day book folio.
7. Revised cost fixed.
8. Deficit to be recovered.
9. Date of recovery.
10. Day book folio.
11. Initials of secretary.
12. Remarks.

NOTE—(1) Separate page should be allotted for each article.

11. *Register of Joint Sales.*

Name of the article.....................

1. Serial number.
2. Name and number of the member.
3. Quantity of article contributed.
4. Amount realised by sale.
5. Amount payable to the member.
6. Amount actually paid.
7. Date of payment.
8. Day book folio.
9. Initials of secretary.

12. *Purchase, Issue and Stock Register.*

Name of the article...................................

Date	Receipt of purchases		Sales or Issues		Stock		Remarks
	Quantity	Value	Quantity	Value	Quantity	Value	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

NOTE—(1) Stock should be valued at market price.

.13 *Salesman's Indent Register*

1. Date.
2. Name of the article.
3. Quantity:—
   (*a*) On hand.
   (*b*) Indented.
   (*c*) Supplied.
4. Rate per unit of retail selling price.
5. Value.
6. Total liability of the salesman on date.
7. Remarks.

Indented by ....
(Signature of salesman with date)

Issued by ....
(Signature of godown-keeper with date)

Received by ....
(Signature of sale man with date)

NOTE—*This is to be maintained in triplicate. One copy with the salesman, one with godown keeper and the other with society.*

14. *Register of Issues to Salesman.*

1. Date.
2. No. and date of indent.
3. Value of goods supplied.
4. Amount paid by salesman.
5. Balance due from salesman.
6. Signature of salesman.
7. Initials of secretary.
8. Remarks.

[This register should be completed whenever there is any issue of goods to the salesman or whenever he makes payment. In case there is any change in price, the difference in the Balance due should be indicated with a reference in the remarks column.]

15. *Sales Chit Book*

Serial No.

(Name of the Cooperative Society).

(License Number for trade, if any).

Number and name of the member/purchaser........................

Date ....

Sl. No. (1)	Particulars (2)	Amount (3)
	Total	
	Sales-tax	
	Grand Total	

(Sd/-) Salesman ....

16. *Bonus Register*

No. and name of the member ....

1. Date.
2. Number of sales chit.
3. Amount of purchases.
4. Monthly Progressive total of purchases for the cooperative year.
5. Value of articles brought to the society for marketing.
6. Monthly progressive total of item (5) above.
7. Rate of bonus on sales.
8. Rate of bonus on marketing.
9. Amount due for the cooperative year.
10. Amount paid.
11. Date of payment and voucher no.
12. Balance due.
13. Initials of Secretary.

17. *Register of Dividends*

A. For the year ending........................

B. Rate of Dividend sanctioned by the general body with no. and date of Resolution. ....

Sl. No.	Name and no. of member	Share Capital Paid-up					
		At the beginning of the year	Paid-up during the year		Withdrawn during the year		Balance at the end of the year
			Date	Amount	Date	Amount	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Dividend due	Arrear dividend due, if any of previous years	Total Dividend due	Dividend paid	Balance due	Initials of Secretary
(9)	(10)	(11)	(12)	(13)	(14)

18. *Stock Book of Furniture, Stationery, etc.*

Name of the article..........................

1. Date
2. Opening stock
3. Receipt
4. Issues.
5. Balance stock.
6. Initials of store clerk.
7. Initials of secretary.

This is to be maintained on the basis of the Quantity of each article in separate pages.

19. Stock Register

This is to be maintained on the basis of the previous one and balance should be struck every day. The stock in the godown should tally with the stock register every day.

20. Demand, Collection and Balance Register

Number and name of the member..

Particulars	Date	Loan ledger folio	Amount sanctioned
(1)	(2)	(3)	(4)
(a) Principal ..	..	..	
(b) Interest ..	..	..	

Due dates	Amount of instalment due	Amount collected	Receipt No. & date of collection	Balance due
(5)	(6)	(7)	(8)	(9)

B. Forms

1. *Application for Admission*

1. Name and address of the applicant.
2. Father's name.
3. Age.
4. Occupation.
5. Place of residence.
6. Area and crop cultivated—
   (*i*) Wheat................acres
   (*ii*) Paddy................acres
   (*iii*) ....
7. No. of shares desired.
8. Is the applicant a member of any other cooperative society? If so, give details.
9. Name and address of the nominee and his relation to the applicant.
10. Signature/thumb impression of the applicant with date.
11. Signature of two witnesses with address.
12. Considered by Managing Committee on.....................
13. Shares allotted................
14. Initials of the Chairman.

2. *Loan Application*

1. Number and name of the member.
2. Purpose of the loan.
3. Area proposed to be cultivated—
   (*i*) Wheat...........
   (*ii*) Paddy...........
4. Amount of loan required.
5. What is the security for the loan.
6. Is there any outstanding loan from the member to the society? If so, details thereof.
7. Signatures of sureties with address.
8. Considered by the Managing Committee on.....................
9. Loan sanctioned ....
10. Period of repayment.
11. Rate of interest.
12. Initials of the Chairman.

The loan application should be accompanied by an agreement as under. This agreement can be printed on the reverse of the loan application form.

"I hereby agree that I will sell through the cooperative marketing society the whole of the produce raised by me, or at least as much of it as will be sufficient to cover the loan or the loans taken by me from the cooperative

society, or the instalments due, and to authorise the marketing society to appropriate the sale-proceeds towards such loan or loans or the instalments due."

Sd./-........................
(Member)
Date........................

Witnesses—

1.

2.

Date....................

This certificate has to be signed by the member and the witnesses before submission to the society.

3. *Pass Book*

A. Loan Account

1. Date.
2. No. in loan register.
3. Dates when payments are due.
4. Amount due.
5. Amount repaid—
   (*i*) Principal.
   (*ii*) Interest.
   (*iii*) Total
6. Balance due—
   (*i*) Principal.
   (*ii*) Interest.
   (*iii*) Total.
7. Initials of Secretary.

(This is to be maintained for short-term and medium-term loans separately)

B. Deposit Account

1. Account No.
2. Date.
3. Deposits.
4. Withdrawals.
5. Balance.
6. Rate of interest.
7. Amount of interest.
8. Total amount due.
9. Remarks.
10. Initials of Secretary.

This is to be separately maintained for current or savings or fixed deposit accounts.

4. *Surety Bond*

Surety bond jointly executed on............by (1) Shri................ member no..............., son of Shri..............residing in.......... (2) Shri ...., having the occupation of................. residing in...................., and (3) Shri........................... Member No...............son of Shri........................having the occupation of................residing in......................in favour of the president of the...................Cooperative Service Society Ltd., No.................established in the village of ....in the District of...

2. One of us, namely Shri ....
has received from the said society a loan of Rs................for the purpose of..
We promise to repay this amount with interest at ....per cent per annum in................instalments. Should we fail to pay an instalment of loan or interest on the due date, we bind ourselves to pay interest at........ per cent. per annum from the date of default to the date of payment. We further agree that for default of payment of an instalment, the society may close the loan account and proceed to recover the amount legally with interest at........per cent per annum on the total amount of principal and interest thus due from the date of closing the loan account to the date of recovery of the amount, either from all or any of us or from properties belonging to us.

3. We agree to abide by the by laws of the Society now in force and those that may be enacted hereafter from time to time.

Signatures

(1)

(2)

(3)

Date..........................

Witnesses—

(1)

(2)

5. *Share Certificate*

Share Certificate	*Share Certificate*
1. ....Cooperative Service Society Ltd., No............	1.............Cooperative Service Society Ltd. No.............
2. Serial No.	2. Serial No.
3. No. of shares	3. No. of shares.
4. Full amount of share Rs........	4. Full amount of shares Rs. ......
5. Name of the holder.	5. Name of the holder.
6. Address.	6. Address.
....	
Sd./-	Sd./-
1. (Chairman)	1. Chairman
2. Member, Panchayat.	2. Member Panchayat.
3. Secretary.	Seal of Society — 3. Secretary
Date........	Date..............

6. *Receipt for procurement/Storage of Agricultural or other produce*

(*The society will not be responsible for dryage or shortage*)

..............................Cooperative Society Ltd., No.......

Dated.....................

1. Serial no.
2. Name of centre.
3. Name and number of member.
4. Quantity of article.
5. Quality.
6. Measure or weight per item or bag.
7. Total measure or weight.
8. Special remarks, if any.

Sd./-

Secretary godown keeper of the Society

7. *Chalan for despatch of produce to the Marketing Society*

FROM

............Village Service Cooperative Society Ltd., No.........

To

............Cooperative Marketing Society Ltd., No............

SIRS,

The following goods as per list below of our members are forwarded to you for sale. Please sell these at market rates and out of the sale proceeds, deduct the marketing charges as indicated in column (12); deposit the amount indicated in column (15) in the.............Central Cooperative Bank in the account of our society; and send the balance indicated in column (16) through the bearer of this chalan.

Thanking you.

Sd./-
Employee of the service society

---

1. Sl. No.
2. Name and number of member.
3. Village
4. Quantity.
5. Quality.
6. Special marks.
7. Weight or measure per unit.
8. Total weight.
9. Weight at market.
10. Market rate.
11. Sale-proceeds/pledge loan granted.
12. Marketing charges (as per C).
13. Balance (11—12).
14. Commission for marketing society.
15. Loan amount realised.
16. Balance to be paid to the member[13 — (14+15)].

A. *Expenditure by service society* (Rs.)

(*i*) For measurement..........................

(*ii*) For packing..............................

(*iii*) Porter charges..........................

(*iv*) Other expenses (specify)...................

Total

(*Signature of Employee of Service Society*

Date.........................

B. *Expenditure in the market*

(*i*) Measuring and filling charges............
(*ii*) Total tax............................
(*iii*) Porter charges ....
(*iv*) Other expenses (Specify) ....

Total ..

Signature of the employee of the marketing society

C. *Total Expenditure*

Totals of (A) and (B).

The total amount indicated in column (15) *viz.*, Rs...............has been remitted in the Central Cooperative Bank..............and the balance of Rs. ....paid to the bearer of this chalan.

Sd./-

(*Employee of the marketing society*)

NOTE (1)—This has to be issued in quadruplicate, one for the central bank one for the marketing society and the other to be returned to the service society by the marketing society with necessary entries, while the office copy may remain in the service cooperative.

(2) In case the produce cannot be sold immediately, it may be stored in the godown of the marketing society and eligible pledge loan granted. The marketing society may then make deductions out of such pledge loan under intimation to the service cooperative.

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